



Commonwealth of Kentucky

CONTRACT

IMPORTANT

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Doc Description: Assessment of IT in the Commonwealth

Doc ID No: PON2 750 1200000661 2

Procurement Folder: 2182501

Procurement Type: Personal Service Contract

Administered By: Renita Clarke

Cited Authority: FAP111-43-00-STD

Telephone: 502-564-8079

Issued By: Renita Clarke

Reason For Modification: TIME & BALANCE EXTENSION - The contract began December 1, 2011 with a very tight timeframe to complete the scope of work by June 30, 2012. The Commonwealth desires to extend the contract to August 31, 2012 to allow additional time for a formal presentation of PTIs findings & recommendations, as well as additional time to obtain feedback from the agencies about the recommendations, and get responses from PTI concerning the Agencies feedback.

B I L L T O	494552	S H I P T O	
	FINANCE OAS		
	702 CAPITAL AVENUE		
	Rm 195 Capital Annex Bldg		
	FRANKFORT KY 40601		

C O N T R A C T O R	Pacific Technologies, INC		
	14711 NE 29th Place, Suite 216		
	Bellevue WA 98007		
	US		

Line	CL Description	Due Date	Quantity	Unit Issue	Unit Price	Contract Amt	Total Price
1	Conduct an assessment of IT programs and practices.		0.00		0.00000	314,095.00	314,095.00

Extended Description

The scope of services includes the comprehensive analysis of the current IT service delivery within the Commonwealth identification of services being provided in a successful manner and recommended performance improvements which will increase the value of IT for the enterprise as a whole in terms of adequacy efficiency and effectiveness.

PREVIOUS CONTRACT PERIOD:

12/01/11 - 6/30/12

TIME & BALANCE EXTENSION PERIOD:

7/01/12 - 8/31/12

Total Order Amount:	314,095.00
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1200000661	Document Phase Draft	Document Description Assessment of IT in the Common wealth	Page 2 of 24
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PERSONAL SERVICE CONTRACT FOR

Assessment of IT in the Commonwealth
PON2 750 1200000661

BETWEEN

THE COMMONWEALTH OF KENTUCKY

Finance & Administration Cabinet

AND

Pacific Technologies, Inc
14711 NE 29th Place, Suite 216
Bellevue, WA 98007
Phone 425 881-3991
msilverman@pti-consulting.com

This Personal Service Contract (PSC) is entered into, by and between the Commonwealth of Kentucky, Finance & Administration Cabinet, ("the Commonwealth") and Pacific Technologies, Inc. (PTI) to establish a Contract for Assessment of IT in the Commonwealth. This PSC is effective 12/01/2011 and expires 06/30/2012.

Contract Modification for a Time & Balance Extension:

The contract began December 1, 2011 with a very tight timeframe to complete the scope of work by June 30, 2012. The Commonwealth desires to extend the contract to August 31, 2012 to allow additional time for a formal presentation of PTI's findings & recommendations, as well as additional time to obtain feedback from the agencies about the recommendations, and get responses from PTI concerning the Agencies feedback.

The Commonwealth and Contractor agree to the following:

I. Scope of Contract

The Commonwealth intends to procure consulting services to provide an assessment of the current information technology (IT) environment across the Executive Branch. The scope of services includes the comprehensive analysis of the current IT service delivery within the Commonwealth; identification of services being provided in a successful manner; and recommended performance improvements which will increase the value of IT for the enterprise as a whole in terms of adequacy, efficiency and effectiveness. Appendix A details the Scope of

1200000661	Document Phase Draft	Document Description Assessment of IT in the Common wealth	Page 3 of 24
------------	--------------------------------	--	-------------------------------

Work, Schedule, and Deliverables. Pricing cannot exceed **\$314,095**. The scope of this Contract can be modified with mutual agreement of the parties.

II. Contract Components and Order of Precedence

The Commonwealth's acceptance of the Contractor's offer in response to the Solicitation, indicated by the issuance of a Contract Award shall create a valid Contract between the Parties consisting of the following:

- # Any written Agreement between the Parties;
- # Any Addenda to the Solicitation;
- # The Solicitation and all attachments thereto; including PSC Standard Terms and Conditions;
- # Any Best and Final Offer;
- # Any clarifications concerning the Contractor's proposal in response to the Solicitation;
- # The Contractor's proposal in response to the Solicitation.

In the event of any conflict between or among the provisions contained in the Contract, the order of precedence shall be as enumerated above.

III. Negotiated Items

1. Onsite Time Kentucky

PTI's work plan balances the critical need for onsite stakeholder interaction with the imperative to do so as efficiently, effectively, and economically as possible. PTI will begin the engagement with the Commonwealth's team onsite for three (3) days. This time will be spent conducting the project kickoff with the project's steering team and up to twenty-four (24) one-on-one interviews with selected cabinet/agency executives and senior management. PTI will return again after completing their assessment analysis to review and validate findings with the Commonwealth's project steering team and other appropriate stakeholders in up to three (3) onsite workshops.

Informed by the assessment findings and feedback from the findings validation workshop, PTI can develop their recommendations and once again return onsite to preview their analysis with the project's steering committee.

PTI envisions spending approximately ten percent (10%) to fifteen percent (15%) onsite. If desired, PTI can make scope adjustments to ensure that they best meet the Commonwealth's needs.

2. NASCIO

PTI anticipates using existing NASCIO data – rather than request project-specific information. This is the same approach PTI employed in the State of Washington, which yielded worthwhile comparison data.

1200000661	Document Phase Draft	Document Description Assessment of IT in the Commonwealth	Page 4 of 24
------------	--------------------------------	---	-------------------------

3. Changes to the Contract

PTI believes that the best approach to managing – and significantly limiting – contract changes is to begin with a solid, well-structured statement of work that clearly articulates scope, activities, and intended outcomes.

In the event that contract changes appear necessary, PTI will work collaboratively with the Commonwealth's project manager to identify and document the need, as well as any associated impacts to project costs and schedule. PTI would then assess whether a change in scope can be accomplished within the existing contract or if actual changes to the contract are necessary, and if so, submit the request to the steering committee for approval.

Modification to this Personal Service Contract shall be processed in the same manner as the original contract in the state's procurement system. A modification shall be used if both parties to this Personal Service Contract agree to increase or decrease funds, revise the scope of work, extend the time for performance within the current biennium, or any other change.

4. Onsite Tasks

PTI will perform the following tasks onsite:

PM.1 Conduct Project Kickoff

- # Conduct Interviews
- # Conduct Findings Validation Workshops
- # 2.4 Conduct Recommendations Validation Workshops
- # 2.8 Deliver Final Presentation

5. Termination

Termination shall be in accordance with KAR 5:312.

6. Dispute Resolution

In the event of any dispute, controversy or claim of any kind or nature arising under or in connection with this Contract (including disputes as to the creation, validity, interpretation, breach or termination of this Contract) (a "Dispute"), then upon the written request of either Party, the parties shall submit the dispute to a mediator whose task will be to meet for the purpose of endeavoring to resolve the Dispute. The parties shall attempt to agree upon the appointment of a mediator, upon receipt, by either of them, of a written notice to concur in such appointment. The parties shall negotiate in good faith in an effort to resolve the Dispute without the necessity of any formal proceeding relating thereto. The specific format for such discussions shall be left to the discretion of the mediator, but may include the preparation of agreed upon statements of fact or written

1200000661	Document Phase Draft	Document Description Assessment of IT in the Common wealth	Page 5 of 24
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statements of position furnished to the other Party or the mediator. All verbal and written communications relating to the mediation may remain confidential. No formal proceedings for the resolution of the Dispute may be commenced until the earlier to occur of (a) a good faith mutual conclusion by the parties that amicable resolution through continued negotiation of the matter in issue does not appear likely or (b) the 30th day after the initial request to mediate the Dispute.

7. **Ownership of Work Product**

PTI reserves right, title and interest in the methodologies, trade secrets, software tools, and know-how employed by PTI to conceptualize and produce all work products and deliverables. Commonwealth may modify these work products for internal, non-commercial use and may reproduce and distribute the draft and final reports without restriction. Commonwealth shall not distribute PTI's copyrighted material to third parties, including parties under contract to Commonwealth, for their commercial use, without written consent from PTI.

8. **Limitation of Liability**

Liability of Commonwealth related to coverable contractual damages are set forth in KRS 45A.245.

IV. **Pricing**

Pricing cannot exceed **\$314,095**. The scope of this Contract can be modified with mutual agreement of the parties.

PTI will perform the scope of work in Appendix A not to exceed **\$314,095**. This price includes all travel costs to Frankfort, Kentucky as documented below. Should additional travel be necessary, the Commonwealth will reimburse PTI for the associated expenses per the Commonwealth's State Travel Regulations. On a monthly basis, PTI will progress bill for its work by task in accord with the following fee schedule:

Trip Purpose	Days on Site	Number of Consultants
Kickoff and interviews	3	5
Findings validation workshop trip 1	1	4
Findings validation workshop trip 2	1	4
Findings validation workshop trip 3	1	4
Recommendations validation trip 1	1	4
Recommendations validation trip 2	1	4
Recommendations validation trip 3	1	4
Final presentation	2	2

1200000661	Document Phase Draft	Document Description Assessment of IT in the Common wealth	Page 6 of 24
------------	--------------------------------	--	-------------------------------

If additional trips to Kentucky are required to conduct the interviews, PTI would need to update their travel assumptions – and the blended rate – accordingly. If the interviews are conducted via telephone, the same blended rate of \$127 per hour would apply. Ideally, PTI would address the potential need for additional interviews within the statement of work. In the event the Commonwealth desires additional interviews after contract signing, once again PTI would work collaboratively with the Commonwealth to best address the needs.

	Cost
Hourly Consultant Rates:	
Project Management	\$55,496
PM.1 Manage Project	\$30,332
PM.2 Develop and Distribute Information Request	\$6,931
PM.3 Conduct Project Kickoff	\$18,233
Phase 1: Assessment	\$164,241
1.1 Review State and Cabinet/Agency Data and Documentation	\$14,256
1.2 Conduct Interviews	\$8,358
1.3 Conduct State IT Best Practices Research	\$13,953
1.4 Evaluate Current IT Governance	\$6,988
1.5 Analyze IT Funding	\$10,762
1.6 Analyze IT Spending	\$11,818
1.7 Assess IT Organization and Service Delivery	\$13,750
1.8 Assess IT Workload Drivers	\$10,942
1.9 Assess Service Catalog	\$0
1.10 Develop Findings	\$31,961
1.11 Conduct Findings Validation Workshops	\$41,454
Phase 2: Recommendations Development	\$162,388
2.1 Develop IT Sourcing Evaluation Indicators	\$4,202
2.2 Develop Recommendations	\$30,219
2.3 Develop IT Service Catalog Measures	\$0
2.4 Conduct Recommendations Validation Workshops	\$41,454
2.5 Prepare First Draft IT Assessment Report	\$30,972
2.6 Prepare Second Draft IT Assessment Report	\$21,255
2.7 Prepare Final IT Assessment Report	\$12,964
2.8 Deliver Final Presentation	\$21,322
Total Cost Undiscounted	\$382,125
Discount	\$ (68,030)
Total Cost	\$314,095

Invoices shall be payable within thirty (30) days of receipt.

V. Personal Service Contract Standard Terms and Conditions

Whereas, the first party, the state agency, has concluded that either state personnel are not available to perform said function, or it would not be feasible to utilize state personnel to perform said function; and
Whereas, the second party, the contractor, is available and qualified to perform such function; and

1200000661	Document Phase Draft	Document Description Assessment of IT in the Common wealth	Page 7 of 24
------------	--------------------------------	--	-------------------------------

Whereas, for the abovementioned reasons, the state agency desires to avail itself of the services of the second party;

NOW THEREFORE, the following terms and conditions are applicable to this contract:

010.00 Effective Date:

This agreement is not effective until the Secretary of the Finance and Administration Cabinet or his authorized designee has approved the contract and until the contract has been submitted to the Legislative Research Commission, Government Contract Review Committee ("LRC").

Payments on personal service contracts and memoranda of agreement shall not be authorized for services rendered after government contract review committee disapproval, unless the decision of the committee is overridden by the Secretary of the Finance and Administration Cabinet or agency head, if the agency has been granted delegation authority by the Secretary.

010.05 Renewals:

Upon expiration of the initial term, the contract may be renewed in accordance with the terms and conditions in the original solicitation. Renewal shall be subject to prior approval from the Secretary of the Finance and Administration Cabinet or his authorized designee and the LRC Government Contract Review Committee in accordance with KRS 45A.695 and KRS 45A.705, and contingent upon available funding.

010.10 LRC Policies:

Pursuant to KRS 45A.725, LRC has established policies which govern rates payable for certain professional services. These are located on the LRC webpage (<http://www.lrc.ky.gov/Statcomm/Contracts/homepage.htm>) and would impact any contract established under KRS 45A.690 et seq., where applicable.

010.15 Choice of Law and Forum:

All questions as to the execution, validity, interpretation, construction and performance of this agreement shall be governed by the laws of the Commonwealth of Kentucky. Furthermore, the parties hereto agree that any legal action which is brought on the basis of this agreement shall be filed in the Franklin County Circuit Court of the Commonwealth of Kentucky.

010.20 Cancellation:

The state agency shall have the right to terminate and cancel this agreement at any time not to exceed thirty (30) days' written notice served on the contractor by registered or certified mail.

010.25 Funding Out Provision:

The state agency may terminate this contract if funds are not appropriated to the contracting agency or are not otherwise available for the purpose of making payments without incurring any obligation for payment after the date of termination, regardless of the terms of the contract. The state agency shall provide the contractor thirty (30) calendar days written notice of termination of the contract.

010.30 Reduction in Contract Worker Hours

The Kentucky General Assembly may allow for a reduction in contract worker hours in conjunction with a budget balancing measure for some professional and non-professional service contracts. If under such

1200000661	Document Phase Draft	Document Description Assessment of IT in the Common wealth	Page 8 of 24
------------	--------------------------------	--	-------------------------------

authority the agency is required by Executive Order or otherwise to reduce contract hours, the contract will be reduced by the amount specified in that document.

010.35 Authorized to do Business in Kentucky:

The contractor affirms that it is properly authorized under the laws of the Commonwealth of Kentucky to conduct business in this state and will remain in good standing to do business in the Commonwealth of Kentucky for the duration of any contract awarded.

The Contractor shall maintain certification of authority to conduct business in the Commonwealth of Kentucky during the term of this Contract. Such registration is obtained from the Secretary of State, who will also provide the certification thereof.

010.40 Registration with the Secretary of State by a Foreign Entity.

Pursuant to KRS 45A.480(1)(b), an agency, department, office, or political subdivision of the Commonwealth of Kentucky shall not award a state contract to a person that is a foreign entity required by [KRS 14A.9-010](#) to obtain a certificate of authority to transact business in the Commonwealth ("certificate") from the Secretary of State under [KRS 14A.9-030](#) unless the person produces the certificate within fourteen (14) days of the bid or proposal opening. Therefore, foreign entities should submit a copy of their certificate with their solicitation response. If the foreign entity is not required to obtain a certificate as provided in [KRS 14A.9-010](#), the foreign entity should identify the applicable exception in its solicitation response. Foreign entity is defined within [KRS 14A.1-070](#).

For all foreign entities required to obtain a certificate of authority to transact business in the Commonwealth, if a copy of the certificate is not received by the contracting agency within the time frame identified above, the foreign entity's solicitation response shall be deemed non-responsive or the awarded contract shall be cancelled.

Businesses can register with the Secretary of State at <https://secure.kentucky.gov/sos/ftbr/welcome.aspx>.

010.45 Invoices for fees:

The contractor shall maintain supporting documents to substantiate invoices and shall furnish same if required by state government.

Pursuant to KRS 45A.695, no payment shall be made on any personal service contract unless the individual, firm, partnership, or corporation awarded the personal service contract submits its invoice for payment on a form established by the committee.

*Invoice form is available on the Legislative Research Commission, Government Contract Review Committee website: <http://www.lrc.ky.gov/Statcomm/Contracts/homepage.htm>

010.50 Travel expenses, if authorized:

The contractor shall be paid for no travel expenses unless and except as specifically authorized by the specifications of the contract.

010.55 Other expenses, if authorized herein:

The contractor shall be reimbursed for no other expenses of any kind, unless and except as specifically authorized within the specifications of the contract.

1200000661	Document Phase Draft	Document Description Assessment of IT in the Common wealth	Page 9 of 24
------------	--------------------------------	--	-------------------------------

If the reimbursement of such expenses is authorized, the reimbursement shall be only on an out-of-pocket basis. Request for payment of same shall be processed upon receipt from the contractor of valid, itemized statements submitted periodically for payment at the time any fees are due. The contractor shall maintain supporting documents that substantiate every claim for expenses and shall furnish same if requested by state government.

- # Invoicing for fee: the contractor's fee shall be original invoice(s) and shall be documented by the contractor. The invoice(s) must conform to the method described in the specifications of the contract.
- # Invoicing for travel expenses: the contractor must follow instructions described in the specifications of the contract. Either original or certified copies of receipts must be submitted for airline tickets, motel bills, restaurant charges, rental car charges, and any other miscellaneous expenses.
- # Invoicing for miscellaneous expenses: the contractor must follow instructions prescribed in the specifications of the contract. Expenses submitted shall be documented by original or certified copies.

010.60 Purchasing and specifications:

The contractor certifies that he will not attempt in any manner to influence any specifications to be restrictive in any way or respect nor will he attempt in any way to influence any purchasing of services, commodities or equipment by the Commonwealth of Kentucky. For the purpose of this paragraph and the following paragraph that pertains to conflict-of interest laws and principles, "he" is construed to mean "they" if more than one person is involved and if a firm, partnership, corporation, or other organization is involved, then "he" is construed to mean any person with an interest therein.

010.65 Conflict-of-interest laws and principles:

The contractor certifies that he is legally entitled to enter into this contract with the Commonwealth of Kentucky, and by holding and performing this contract will not be violating either any conflict of interest statute (KRS 45A.330-45A.340, 45A.990, 164.390), or KRS 11A.040 of the executive branch code of ethics, relating to the employment of former public servants.

010.70 Campaign finance:

The contractor certifies that neither he/she nor any member of his/her immediate family having an interest of 10% or more in any business entity involved in the performance of this contract, has contributed more than the amount specified in KRS 121.056(2), to the campaign of the gubernatorial candidate elected at the election last preceding the date of this contract. The contractor further swears under the penalty of perjury, as provided by KRS 523.020, that neither he/she nor the company which he/she represents, has knowingly violated any provisions of the campaign finance laws of the Commonwealth, and that the award of a contract to him/her or the company which he/she represents will not violate any provisions of the campaign finance laws of the Commonwealth.

010.75 Access to Records:

The contractor, as defined in KRS 45A.030 (9) agrees that the contracting agency, the Finance and Administration Cabinet, the Auditor of Public Accounts, and the Legislative Research Commission, or their duly authorized representatives, shall have access to any books, documents, papers, records, or other evidence, which are directly pertinent to this contract for the purpose of financial audit or program review. Records and other prequalification information confidentially disclosed as part of the bid process

1200000661	Document Phase Draft	Document Description Assessment of IT in the Common wealth	Page 10 of 24
------------	--------------------------------	--	-------------------------

shall not be deemed as directly pertinent to the contract and shall be exempt from disclosure as provided in KRS 61.878(1)(c). The contractor also recognizes that any books, documents, papers, records, or other evidence, received during a financial audit or program review shall be subject to the Kentucky Open Records Act, KRS 61.870 to 61.884.

In the event of a dispute between the contractor and the contracting agency, Attorney General, or the Auditor of Public Accounts over documents that are eligible for production and review, the Finance and Administration Cabinet shall review the dispute and issue a determination, in accordance with Secretary's Order 11-004. (See attachment)

010.80 Protest

Pursuant to KRS 45A.285, The Secretary of the Finance and Administration Cabinet, or his designee, shall have authority to determine protests and other controversies of actual or prospective Vendors in connection with the solicitation or selection for award of a Master Agreement or Contract.

Any actual or prospective Vendor, who is aggrieved in connection with the solicitation or selection for award of a Master Agreement or Contract, may file protest with the Secretary of the Finance and Administration Cabinet. A protest or notice of other controversy must be filed promptly and in any event within two (2) calendar weeks after such aggrieved person knows or should have known of the facts giving rise thereto. All protests or notices of other controversies must be in writing and shall be addressed to:

Lori H. Flanery, Secretary
Commonwealth of Kentucky
Finance and Administration Cabinet
Room 383, New Capitol Annex
702 Capitol Avenue
Frankfort, KY 40601
Phone #: (502) 564-4240
Fax #: (502) 564-6785

The Secretary of Finance and Administration Cabinet shall promptly issue a decision in writing. A copy of that decision shall be mailed or otherwise furnished to the aggrieved party and shall state the reasons for the action taken.

The decision by the Secretary of the Finance and Administration Cabinet shall be final and conclusive.

010.85 Social security: (check one)

_____ the parties are cognizant that the state is not liable for social security contributions pursuant to 42 U.S. Code, section 418, relative to the compensation of the second party for this contract.

_____ the parties are cognizant that the state is liable for social security contributions pursuant to 42 U.S. Code, section 418, relative to the compensation of the second party for this contract.

010.90 Violation of tax and employment laws:

KRS 45A.485 requires the contractor to reveal to the Commonwealth, prior to the award of a contract, any final determination of a violation by the contractor within the previous five (5) year period of the provisions

1200000661	Document Phase Draft	Document Description Assessment of IT in the Common wealth	Page 11 of 24
------------	--------------------------------	--	-------------------------

of KRS chapters 136, 139, 141, 337, 338, 341, and 342. These statutes relate to the state sales and use tax, corporate and utility tax, income tax, wages and hours laws, occupational safety and health laws, unemployment insurance laws, and workers compensation insurance laws, respectively.

To comply with the provisions of KRS 45A.485, the contractor shall report any such final determination(s) of violation(s) to the Commonwealth by providing the following information regarding the final determination(s): the KRS violated, the date of the final determination, and the state agency which issued the final determination.

KRS 45A.485 also provides that, for the duration of any contract, the contractor shall be in continuous compliance with the provisions of those statutes which apply to the contractor's operations, and that the contractor's failure to reveal a final determination as described above or failure to comply with the above statutes for the duration of the contract, shall be grounds for the Commonwealth's cancellation of the contract and the contractor's disqualification from eligibility for future state contracts for a period of two (2) years.

Contractor must check one:

_____ The contractor has not violated any of the provisions of the above statutes within the previous five (5) year period.

_____ the contractor has violated the provisions of one or more of the above statutes within the previous five (5) year period and has revealed such final determination(s) of violation(s). A list of such determination(s) is attached.

010.95 Discrimination:

Discrimination (because of race, religion, color, national origin, sex, age, or disability) prohibited. This section applies only to contracts utilizing federal funds, in whole or in part. During the performance of this contract, the contractor agrees as follows:

1. The contractor will not discriminate against any employee or applicant for employment because of race, religion, color, national origin, sex or age. The contractor further agrees to comply with the provisions of the Americans with Disabilities Act (ADA), Public Law 101-336, and applicable federal regulations relating thereto prohibiting discrimination against otherwise qualified disabled individuals under any program or activity. The contractor agrees to provide, upon request, needed reasonable accommodations. The contractor will take affirmative action to ensure that applicants are employed and that employees are treated during employment without regard to their race, religion, color, national origin, sex, age or disability. Such action shall include, but not be limited to the following; employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensations; and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this non-discrimination clause.

2. The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to race, religion, color, national origin, sex, age or disability.

3. The contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice advising the said labor union

1200000661	Document Phase Draft	Document Description Assessment of IT in the Common wealth	Page 12 of 24
------------	--------------------------------	--	-------------------------

or workers' representative of the contractor's commitments under this section, and shall post copies of the notice in conspicuous places available to employees and applicants for employment. The contractor will take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions, including sanctions for noncompliance.

4. The contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965 as amended, and of the rules, regulations and relevant orders of the Secretary of Labor.

5. The contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, as amended, and by the rules, regulations and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records and accounts by the administering agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.

6. In the event of the contractor's noncompliance with the nondiscrimination clauses of this contract or with any of the said rules, regulations or orders, this contract may be cancelled, terminated or suspended in whole or in part and the contractor may be declared ineligible for further government contracts or federally-assisted construction contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, as amended, and such other sanctions may be imposed and remedies invoked as provided in or as otherwise provided by law.

7. The contractor will include the provisions of paragraphs (1) through (7) of section 202 of Executive Order 11246 in every subcontract or purchase order unless exempted by rules, regulations or orders of the Secretary of Labor, issued pursuant to section 204 of Executive Order No. 11246 of September 24, 1965, as amended, so that such provisions will be binding upon each subcontractor or vendor. The contractor will take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions including sanctions for noncompliance; provided, however, that in the event a contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the agency, the contractor may request the United States to enter into such litigation to protect the interests of the United States.

Appendix A: Scope of Work, Schedule, and Deliverables

This Appendix details the activities PTI will perform and deliverables PTI will provide under this Contract, organized as follows:

- # Detailed task descriptions
- # Project schedule
- # Deliverables

Detailed Task Descriptions

This section details our task plan, organized by project phase. The following graphic depicts each project phase and the attendant major activities:

1200000661	Document Phase Draft	Document Description Assessment of IT in the Common wealth	Page 13 of 24
------------	--------------------------------	--	-------------------------

Project Management

Phase 1 Assessment

- ◆ Elicits input from key stakeholders
- ◆ Evaluates state IT best practices
- ◆ Assesses Kentucky's IT governance, funding, spending, staffing and service catalog
- ◆ Develops findings

Phase 2 Recommendations Development

- ◆ Defines IT sourcing evaluation indicators
- ◆ Develops recommendations
- ◆ Identifies service catalog measures
- ◆ Delivers the draft and final IT assessment reports
- ◆ Conducts the final presentation

The remainder of this section describes the specific tasks within our work plan in more detail.

Project Management

PM.1 Manage Project

This task incorporates the effort required for PTI to manage the assessment work and to perform quality assurance for each task. PTI's project manager meets with Kentucky's project manager as needed to coordinate work tasks, review progress, and discuss current findings and issues. In addition, PTI's project manager also submits detailed monthly status reports.

PM.2 Develop and Distribute Information Request

Upon project initiation, PTI develops and distributes a request for salient documentation – including information surrounding current statewide IT governance and oversight structures and policies, funding models and spending authorities, the IT services catalog, IT service targets and historical performance, and cabinet/agency IT portfolios and IT organization charts. We also tailor our proprietary quantitative data collection tools for this engagement to gather IT spending, staffing, and asset inventory data from executive branch cabinets and agencies.

PTI facilitates a training session, using web conferencing software (i.e., WebEx), with cabinet/agency personnel assigned to collect IT resource data. PTI walks through the data collection tools, definitions, classifications, objectives, and fields associated questions. This effort improves data accuracy, streamlines the data collection process, and minimizes the need

1200000661	Document Phase Draft	Document Description Assessment of IT in the Commonwealth	Page 14 of 24
------------	--------------------------------	---	-------------------------

for subsequent follow-up and/or validation. We must note that one of the steepest challenges on a project of this scope surrounds timely data collection. The activity is on the critical path, and delays will impact the overall project schedule. We have addressed this risk in our task plan by starting work on the information request immediately upon contract agreement, two weeks prior to the project kickoff. This should enable the data collection process to begin as soon as possible, allowing some cushion for data validation and correction.

PM.3 Conduct Project Kickoff

PTI facilitates a kickoff session with this project's steering committee. During the kickoff meeting, we introduce project participants (including our team), confirm project objectives and expectations, and review the work plan and deliverables. We also validate the project governance structure – including role of the steering committee in commenting on and approving deliverables – and identify immediate next steps. We conclude the meeting with a brainstorm session focused on the Commonwealth's most pressing business drivers and priorities for this project.

Phase 1: Assessment

1.1 Review State and Cabinet/Agency Data and Documentation

PTI reviews the documentation provided in response to task PM.2 to familiarize our team with Kentucky's current IT governance structure, mandates, authority, and policy objectives. This information allows us to develop a foundational understanding of the Commonwealth's current technology environment and develop quantitative IT spending and staffing baselines. Kentucky is responsible for providing PTI the requested data and documentation in specified formats and according to the project schedule.

1.2 Conduct Interviews

We conduct up to twenty-four (24) one-on-one interviews with selected cabinet/agency executives and senior management. We provide interview guides in advance so that interviewees can familiarize themselves with the likely content of these discussions, and prepare their thoughts and responses if they so desire.

These interviews elicit perspectives on the strengths and opportunities for improvement in current IT governance (including funding processes), and IT service delivery structures, as well as the benefits, barriers, risks, and other considerations attendant to implementing changes to the current models. We also gather feedback regarding Kentucky's internal and external business environment, attendant concerns related to automation of key business processes, and potential cost savings opportunities.

1.3 Conduct State IT Best Practices Research

We leverage Kentucky's existing resource contracts (e.g., NASCIO) to gather and analyze data on industry frameworks and IT best practices. This data augment PTI's previous best practices research for the States of Washington, North Dakota and Alaska. In addition, PTI's proprietary

1200000661	Document Phase Draft	Document Description Assessment of IT in the Commonwealth	Page 15 of 24
------------	--------------------------------	---	-------------------------

IT public sector benchmarks database informs this activity. As the former CIO for the State of Wyoming, our IT funding lead – Bob Von Wolffradt – is also directly familiar with IT best practices. He can leverage his relationships with other state CIOs to support our analysis, as well.

1.4 Evaluate Current IT Governance

Based upon tasks 1.1-1.3, we evaluate the Commonwealth's current governing structure for IT. Specifically, we assess how the current governance structure provides strategic IT direction, addresses enterprise IT concerns (e.g., data security, disaster recovery/business continuity, enterprise architecture), and how it balances IT functions between enterprise IT operations and Cabinet/Agency IT roles. We consider both strengths and opportunities for improvement, as well as the benefits, barriers, and risks of making changes to the current model. Finally, our IT governance assessment examines the processes in place for determining total cost of ownership and return on investment for proposed IT investments or projects.

PTI's approach is sensitive to the fact that IT governance and the structure of IT organizations play key parts in the overall success of IT service delivery. We assess this dimension accordingly, evaluating the Commonwealth's current IT governing structure for efficiency and effectiveness in light of industry standards, best practices, and current and future business demands.

1.5 Analyze IT Funding

Based on IT funding data and related documents received from Kentucky, we analyze the Commonwealth's current IT funding model. This work includes an assessment of common mechanisms for funding state government IT (e.g., internal chargebacks, general fund appropriation, specific appropriations) as well as appropriate categories for classifying IT costs across the executive branch.

1.6 Analyze IT Spending

Based on IT spending data and budget-related documents, we also analyze the Commonwealth's current operations and maintenance IT expenditures from a variety of perspectives, including:

- # Quantifying the executive branch's annual IT expenditures across staffing, goods and services and attendant sub categories (e.g., hardware, software, contract labor)
- # Comparing IT operations and maintenance (O&M) spending as a percentage of the Commonwealth's overall operating budget to state government and public sector best practices
- # Identifying the impacts of federal funding limitations, cost allocation, and regulations
- # Reviewing labor costs of specific IT activities
- # Reviewing alignment of IT spending with strategic priorities

1.7 Assess IT Organization and Service Delivery

PTI models the staffing levels and organizational structures that currently support delivery of

1200000661	Document Phase Draft	Document Description Assessment of IT in the Common wealth	Page 16 of 24
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IT-related services across the Commonwealth. This provides a baseline to assess future staffing requirements and allows analysis of the alignment of staffing patterns with strategic objectives.

Based on IT staffing data and other IT organization-related documentation received from Kentucky, we analyze all aspects of IT service delivery – including customer services, application and infrastructure services, and IT planning and administration. Employing modeling tools unique to PTI, we quantitatively examine total IT labor effort provided throughout the Commonwealth, as well as any outsourced providers. Using this data and our extensive database of IT staffing benchmarks (collected from more than 100 public sector organizations), we help Kentucky understand how it compares to similar organizations and industry best practices in key labor efficiency metrics, such as ratio of workstations to help desk staff and ratio of servers to server administration staff. We analyze similar metrics for all appropriate services in the Commonwealth’s IT service catalog.

As part of this task, we also evaluate the Commonwealth’s organizational structure – including allocation of labor, reporting authority, and oversight across the executive branch – against industry and peer best practices. Additionally, as the sample below from our work with the State of Washington illustrates, PTI assesses the geographic distribution of IT staff.

Distribution of Washington State IT FTEs

1.8 Assess IT Workload Drivers

Our analysis supports an assessment of IT operational efficiencies – or inefficiencies – across the organization and throughout the State. This enables us to make fact-based recommendations for adjustments to organization structures, staffing levels, and infrastructure distribution. The work also provides useful ratios for performance measurement (e.g., IT support labor to workstations and servers) and IT spending analysis (e.g., goods and services vs. personnel).

1.9 Develop Findings

We synthesize our assessment findings – highlighting strengths as well as technology-related issues – that need to be addressed for the Commonwealth to meet its business objectives. PTI reviews and validates these findings with the project steering committee during the Findings Validation Workshops.

1.10 Conduct Findings Validation Workshops

PTI reviews and validates the findings with the Commonwealth’s project steering team and other appropriate stakeholders in up to three workshops. PTI splits the topic areas (e.g., IT funding, IT service delivery) of each validation workshop as necessary to best meet the State’s scheduling and group composition needs. These workshops are collaborative in nature and serve as a vital step in ensuring that salient and accurate findings frame the strategic direction developed in the next phase of the project. PTI delivers the materials in advance for review and adjustment before distribution to participants.

Phase 2: Recommendations Development

1200000661	Document Phase Draft	Document Description Assessment of IT in the Common wealth	Page 17 of 24
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2.1 Develop IT Sourcing Evaluation Indicators

Third party and cloud IT services provide alternate avenues for delivering IT functions typically performed in house. Accordingly, well managed organizations consider sourcing alternatives as part of any service delivery evaluation. This task identifies key decision points (e.g., cost, organizational acceptance, technical viability) for assessing IT sourcing options (e.g., internal, contract, private partnership, cloud).

2.2 Develop Recommendations

Informed by our assessment findings and feedback from the Findings Validation Workshop, we develop and document recommendations that address Kentucky's desired areas of analysis:

- # IT governance
- # IT staffing
- # IT funding model

PTI's recommendations for each area incorporate an assessment of the viability and fit of IT related best practices. Where the Commonwealth can benefit from adoption of appropriate IT best practices, PTI outlines implementation steps and associated measures. The following further defines our approach to developing practical recommendations for each area of focus.

IT Governance

We develop a candidate IT governance structure to guide major IT investment decisions (including requirements surrounding total cost of ownership and return on investment analysis) and align major IT spending and policy decisions with cabinet/agency business missions and goals. The model addresses and clearly identifies changes to: governance, decision-making, oversight structures and processes, and key roles and responsibilities. It also includes recommended indicators for assessing IT sourcing alternatives.

IT Staffing

Our recommendations identify potential improvements in organizational structure(s) to support Kentucky's business priorities, including staffing allocations for IT customer service and support, application support, infrastructure operations, and planning and administration. They provide guidance in balancing IT responsibilities among enterprise IT and cabinet/agency IT roles, and incorporate best practices and address funding strategies as necessary.

IT Funding Model

PTI describes how federal funding limitations, cost allocation considerations, and regulations can be addressed by various IT funding models. In this context, we identify the pros and cons associated with each funding method, and recommend the most appropriate IT funding model for Kentucky.

2.3 Conduct Recommendations Validation Workshops

PTI facilitates up to three workshops with the Commonwealth's project steering committee to

1200000661	Document Phase Draft	Document Description Assessment of IT in the Commonwealth	Page 18 of 24
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refine and validate our recommendations – along with the associated cost savings estimates – prior to delivering our report.

We present our preliminary recommendations in a workshop format to address any questions or concerns and to make modifications and adjustments as necessary. During the workshops, we facilitate a discussion among the project's steering committee regarding the recommendations' urgency and overall value. PTI then incorporates any changes for the draft IT Assessment Report. PTI provides a high level Gantt chart (see the figure below) to concisely summarize our recommendations.

Sample Recommendation Timeline

2.4 Prepare First Draft IT Assessment Report

PTI distills, synthesizes, and documents our work into a cogent report targeted toward a non-technical executive audience. We refine our recommendations for IT governance and organization based on feedback from the Recommendations Prioritization Workshop. The report also identifies anticipated benefits and other considerations associated with the recommendations.

Before writing the draft IT Assessment Report, we review the table of contents with the Commonwealth's project steering committee for approval. We submit the completed draft report to Kentucky's project steering committee for review and comment.

2.5 Prepare Second Draft IT Assessment Report

Working from a set of consolidated comments from the Commonwealth, we conduct a page-by-page walkthrough of the first draft report with selected members of Kentucky's project steering team. We then incorporate any necessary revisions into the second IT Assessment Report.

2.6 Prepare Final IT Assessment Report

Similar to task 2.6, we work from a set of consolidated comments and incorporate any necessary revisions into the final IT Assessment Report. At this stage, the Commonwealth may choose to involve additional stakeholders for gathering feedback.

2.7 Deliver Final Presentation

PTI prepares and delivers a presentation of our findings, recommendations, and preliminary implementation plan. We typically target this presentation for an executive audience, although we can tailor it for other audiences should Kentucky prefer.

Project Schedule

The following Gantt chart outlines the project schedule, including estimated start and finish dates for each task.

Deliverables

1200000661	Document Phase Draft	Document Description Assessment of IT in the Commonwealth	Page 19 of 24
------------	--------------------------------	---	-------------------------

Our work culminates in the following formal deliverables:

- # Two draft and one final **IT Assessment Reports**, including:
 - A detailed evaluation of IT across the Commonwealth, with a comprehensive review of findings and impacts surrounding IT governance, funding and staffing
 - Analysis of total IT spending allocation, and per-unit expenditures across the executive branch
 - Meaningful state government IT metrics, benchmarks and best practices data
 - Specific recommendations incorporating best practices in a state government environment for:
 - # IT governance and organization
 - # IT spending and associated funding models
 - # IT staffing
 - # IT indicators that inform sourcing decisions
 - A prioritized list of short-term and long-term recommendations
 - Best practices and processes for determining total cost of ownership and conducting return on investment analysis for proposed IT investments/projects
 - Related appendices and supporting documentation
- # **An executive-level presentation** that summarizes key findings and recommendations for a target audience of senior management, or other stakeholders at your discretion

1200000661	Document Phase Draft	Document Description Assessment of IT in the Common wealth	Page 20 of 24
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VI. Approvals

This contract is subject to the terms and conditions as stated. By affixing signatures below, the parties agree that electronic approvals may serve as electronic signatures. In addition, the parties verify that they are authorized to bind this agreement between parties and that they accept the terms of the agreement.

1st Party:

Signature Title

Printed Name Date

2nd Party:

Signature Title

Printed Name Date

Other Party

Signature Title

Printed Name Date

Approved as to form and legality:

Attorney

1200000661	Document Phase Draft	Document Description Assessment of IT in the Common wealth	Page 21 of 24
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Attachment A

SECRETARY'S ORDER 11-004

FINANCE AND ADMINISTRATION CABINET

Vendor Document Disclosure

WHEREAS, in order to promote accountability and transparency in governmental operations, the Finance and Administration Cabinet believes that a mechanism should be created which would provide for review and assistance to an Executive Branch agency if said agency cannot obtain access to documents that it deems necessary to conduct a review of the records of a private vendor that holds a contract to provide goods and/or services to the Commonwealth; and

WHEREAS, in order to promote accountability and transparency in governmental operations, the Finance and Administration Cabinet believes that a mechanism should be created which would provide for review and assistance to an Executive Branch agency if said agency cannot obtain access to documents that it deems necessary during the course of an audit, investigation or any other inquiry by an Executive Branch agency that involves the review of documents; and

WHEREAS, KRS 42.014 and KRS 12.270 authorizes the Secretary of the Finance and Administration Cabinet to establish the internal organization and assignment of functions which are not established by statute relating to the Finance and Administration Cabinet; further, KRS Chapter 45A.050 and 45A.230 authorizes the Secretary of the Finance and Administration Cabinet to procure, manage and control all supplies and services that are procured by the Commonwealth and to intervene in controversies among vendors and state agencies; and

NOW, THEREFORE, pursuant to the authority vested in me by KRS 42.014, KRS 12.270, KRS 45A.050, and 45A.230, I, Lori H. Flanery, Secretary of the Finance and Administration Cabinet, do hereby order and direct the following:

- I. Upon the request of an Executive Branch agency, the Finance and Administration Cabinet ("FAC") shall formally review any dispute arising where the agency has requested documents from a private vendor that holds a state contract and the vendor has refused access to said documents under a claim that said documents are not directly pertinent or relevant to the agency's inquiry upon which the document request was predicated.
- II. Upon the request of an Executive Branch agency, the FAC shall formally review any situation where the agency has requested documents that the agency deems necessary to conduct audits, investigations or any other formal inquiry where a dispute has arisen as to what documents are necessary to conclude the inquiry.
- III. Upon receipt of a request by a state agency pursuant to Sections I & II, the FAC shall

1200000661	Document Phase Draft	Document Description Assessment of IT in the Common wealth	Page 22 of 24
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consider the request from the Executive Branch agency and the position of the vendor or party opposing the disclosure of the documents, applying any and all relevant law to the facts and circumstances of the matter in controversy. After FAC's review is complete, FAC shall issue a Determination which sets out FAC's position as to what documents and/or records, if any, should be disclosed to the requesting agency. The Determination shall be issued within 30 days of receipt of the request from the agency. This time period may be extended for good cause.

IV. If the Determination concludes that documents are being wrongfully withheld by the private vendor or other party opposing the disclosure from the state agency, the private vendor shall immediately comply with the FAC's Determination. Should the private vendor or other party refuse to comply with FAC's Determination, then the FAC, in concert with the requesting agency, shall effectuate any and all options that it possesses to obtain the documents in question, including, but not limited to, jointly initiating an action in the appropriate court for relief.

V. Any provisions of any prior Order that conflicts with the provisions of this Order shall be deemed null and void.

1200000661	Document Phase Draft	Document Description Assessment of IT in the Common wealth	Page 23 of 24
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SECRETARY'S ORDER

11-004

FINANCE AND ADMINISTRATION CABINET

Vendor Document Disclosure

WHEREAS, in order to promote accountability and transparency in governmental operations, the Finance and Administration Cabinet believes that a mechanism should be created which would provide for review and assistance to an Executive Branch agency if said agency cannot obtain access to documents that it deems necessary to conduct a review of the records of a private vendor that holds a contract to provide goods and/or services to the Commonwealth; and

WHEREAS, in order to promote accountability and transparency in governmental operations, the Finance and Administration Cabinet believes that a mechanism should be created which would provide for review and assistance to an Executive Branch agency if said agency cannot obtain access to documents that it deems necessary during the course of an audit, investigation or any other inquiry by an Executive Branch agency that involves the review of documents; and

WHEREAS, KRS 42.014 and KRS 12.270 authorizes the Secretary of the Finance and Administration Cabinet to establish the internal organization and assignment of functions which are not established by statute relating to the Finance and Administration Cabinet; further, KRS Chapter 45A.050 and 45A.230 authorizes the Secretary of the Finance and Administration Cabinet to procure, manage and control all supplies and services that are procured by the Commonwealth and to intervene in controversies among vendors and state agencies; and

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Upon the request of an Executive Branch agency, the Finance and Administration Cabinet ("FAC") shall formally review any dispute arising where the agency has requested documents from a private vendor that holds a state contract and the vendor has refused access to said documents under a claim that said documents are not directly pertinent or relevant to the agency's inquiry upon which the document request was predicated.

Upon the request of an Executive Branch agency, the FAC shall formally review any situation where the agency has requested documents that the agency deems necessary to conduct audits, investigations or any other formal inquiry where a

1200000661	Document Phase Draft	Document Description Assessment of IT in the Common wealth	Page 24 of 24
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dispute has arisen as to what documents are necessary to conclude the inquiry.

Upon receipt of a request by a state agency pursuant to Sections I & II, the FAC shall consider the request from the Executive Branch agency and the position of the vendor or party opposing the disclosure of the documents, applying any and all relevant law to the facts and circumstances of the matter in controversy. After FAC's review is complete, FAC shall issue a Determination which sets out FAC's position as to what documents and/or records, if any, should be disclosed to the requesting agency. The Determination shall be issued within 30 days of receipt of the request from the agency. This time period may be extended for good cause.

If the Determination concludes that documents are being wrongfully withheld by the private vendor or other party opposing the disclosure from the state agency, the private vendor shall immediately comply with the FAC's Determination. Should the private vendor or other party refuse to comply with FAC's Determination, then the FAC, in concert with the requesting agency, shall effectuate any and all options that it possesses to obtain the documents in question, including, but not limited to, jointly initiating an action in the appropriate court for relief.

Any provisions of any prior Order that conflicts with the provisions of this Order shall be deemed null and void.